
ARBITRATION AWARD

Richard Pegnetter
Arbitrator

June 4, 2003

A hearing in the above dispute was held in Iowa City, Iowa on May 20, 2003 before the undersigned Arbitrator. During the hearing, both the District, Iowa City Community School District, and the Association, Iowa City Education Association Educational Associates, were given full opportunity to present evidence and argument. The hearing began at 12:30 PM and concluded at 2:30 PM. Neither side filed a post-hearing brief and the record was closed with the conclusion of the hearing.

The parties were unsuccessful in their efforts to negotiate a new contract for the 2003-04 school year and proceeded through the Iowa Public Employment Relations Act impasse procedures to arbitration. The undersigned was selected as the sole arbitrator and a hearing was

scheduled. The parties presented the Arbitrator with two Issues at Impasse: WAGES and INSURANCE.

Iowa law provides that the arbitrator will select the most reasonable of the final offers of the parties on each impasse item submitted to arbitration. This selection is to be based on consideration by the arbitrator of the following statutory criteria:

- a. *Past collective bargaining contracts between the parties, including the bargaining that led up to such contracts.*
- b. *Comparison of wages, hours, and conditions of employment of the involved public employees doing comparable work, giving consideration to factors peculiar to the area and classification involved.*
- c. *The interests and welfare of the public, the ability of the public employer to finance economic adjustments, and the effect of such adjustments on the normal standard of services.*
- d. *The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.*

WAGES. The educational associates are paid on a wage schedule that has three work classifications and five pay steps in each class. Class I includes secondary and pre-school associates, Class II includes special education, health, and interpreter associates, and Class III is made up of elementary associates. Current pay levels range from \$8.50 to \$9.95 per hour. The parties used data from the Big Eight schools in Iowa, Cedar Rapids, Council Bluffs, Davenport, Des Moines, Dubuque, Iowa City, Sioux City, and Waterloo, as well as other comparison information, in presenting support for their final offers. The parties had mutually agreed to add longevity provisions to the 2003-04 contract during negotiations and those are not amendments are not part of this arbitration. The Association proposed a \$.50 per hour increase for everyone eligible for a step increase and the District final offer was for no increase beyond the longevity provisions agreed to during negotiations, with no step movement.

Position of the Association. The Association contends that its final offer for a \$.50 per hour increase is needed to keep Iowa City educational associate salaries competitive among the comparison group of similar large schools. The Association provided evidence to show that associates in Iowa City are paid lower wages at top earning levels than their counterparts, \$9.45 per hour against a comparison group average of \$10.20 (Association Exhibit 10-C). The Association also submits that similar school employees across the state will see hourly raises which range from \$.15 to \$.80 per hour for 2003-04 (Association Exhibit 10-G). The Association notes that past settlements in Iowa City have provided increases ranging from \$.15 to \$.40 per hour (Association Exhibit 10-E). The Association stresses that its final offer would continue a reasonable wage level for associates.

In presenting its supporting data, the Association emphasizes the demanding array of duties performed by members of the associates bargaining unit. These duties involve personal attention to significantly challenged students, difficult physical aspects of managing discipline and order, assistance in record-keeping and classroom activities for teachers, and assisting students with medical problems (Association Exhibits 6 and 7). The Association urges that the range of these duties be held against the low pay levels currently provided for associate classifications.

The Association submits that the District can fund the wage increase in the Association final offer with no hardship for the budget. The Association calculates the total increase it proposes as \$150,779 for the 2003-04 school year (Association Exhibit 1). The Association emphasizes that \$903,520 will be received as regular program increase funds by the District in 2003-04 and that 70% of the associates are paid from special education funds which will increase by \$236,394 for the next year (Association Exhibit A). In addition, the Association argues that other budget evidence, like the District's unspent balance, show that a \$.50 per hour increase for associates is easily within the District's ability to pay (Association Exhibit F). The Association contends that both wage comparisons and ability to pay make the Association final offer the most reasonable.

Position of the District. The District argues that its final offer on wages must be viewed in the context of both fairness to associates and other budget factors facing the District. Under the District's total package of wages and fringe benefit changes, a total of \$173,598 would be increased in associate spending. This would be 253% above the normal allocation of new money provided to the associates from the total new money of \$903,520 for all District increased expenses (District Exhibit 164). The District currently spends about 5.44% of its total staffing budget on associates. At 5.44% of new money, the associates would only get \$49,127, far less than the \$173,598 provided in the District final offer (District Exhibit 163). The District further argues that it is making a final offer within its budget constraints and seeks to avoid using reserves like unspent balance monies, which are non-recurring funds, to support salary costs, which are recurring expenses (District Exhibit 177).

Regarding comparability, the District contends that its total final offer, including wages, compares well with other schools in the comparison group. The reported settlements in the Big Eight schools range from 3.58% in Dubuque to 5.27% in Des Moines for 2003-04 (District Exhibit 99). The District estimates its final offer as representing a 5.0% increase (District Exhibit 90). The District stresses that the cost of the Association final offer would exceed 13% in associate increased spending for associate salaries and benefits, nearly twice the average for the

comparison group (District Exhibit 95). The District submits that its final offer on wages is reasonable within the context of the 2003-04 budget.

INSURANCE. The current agreement provides that the District will pay the full cost of certain insurance premiums, including medical insurance, for all full-time employees. The clause goes on to state that a maximum of \$340 will be provided for family medical insurance, with any remainder of the family premium paid by the employee through payroll deduction. The Association proposes to retain the existing clause with elimination of the dollar amount limit on family insurance and reference the single employee cost as the limit of employer contribution toward family medical premiums. The District final offer uses a limit of \$391.12 as the employer contribution toward family or single medical insurance premiums.

Position of the Association. The Association stresses the established tradition in Iowa City for employer payment of full single medical coverage for educational associates (Association Exhibit 8-A). The stated contract amount for single coverage has traditionally provided a small margin to be applied to family coverage, paid mainly by the employee. For example, in 2002-03, the contract maximum for single coverage was stated as \$340 per month. The actual cost of the premium for single coverage was \$303.45, leaving \$36.55 to be applied to family coverage for employees so enrolled (Association Exhibit 8-A). That left the employee with the obligation to pay an additional \$374.77 for family coverage. The Association contends that at the wage levels represented by the educational associates, the District proposal will have an especially undue impact on employees in need of family coverage.

The Association also argues that Iowa City does not compare well with the other Big Eight schools. The average premium contribution by the employer toward medical insurance in 2002-03 was, on average, higher than Iowa City's \$340 (Association Exhibit 8-D). The Association contends that the norm among the comparison districts is to provide full payment for single employee medical insurance, while the District final offer provides a dollar cap that is less than the anticipated cost. The Association urges that its final offer helps keep educational associates in Iowa City from losing ground and is, therefore, the most reasonable.

Position of the District. The District emphasizes the increasing cost of health insurance premiums and the comparative increase in both wages and benefits in its final offer, relative to comparable, large districts in Iowa. The District submits that several large districts provide less medical insurance benefits than Iowa City, or none at all. For example, Cedar Rapids pays only \$145 toward medical insurance and Dubuque provides no health insurance benefits (District Exhibit 99). The District

Discussion. The parties have presented the Arbitrator with two, very connected financial issues. The District final offers are shaped to match up well with settlement trends in the Big Eight comparison group. At a total package increase of 5.0%, the District has a final offer on wages and health insurance, which reflects the range of increases in the comparison group. However, the District final offers raise some concerns. There would be a wage increase of slightly less than 0.05% for the employee group, including the new longevity provisions. This would impact an employee group that earns between \$8.50 and \$9.45 an hour in regular wages. Further, the District final offer on health insurance would both change and reduce this important benefit. Under the anticipated John Deere plan, single employees would not be provided with full, employer-paid coverage for health insurance. The current contract pays full employee coverage, with a margin left to be applied to family coverage. The John Deere plan for next year will have an estimated cost of \$452 per month for single coverage (Association 8-B). Under this plan and the District proposal, only \$391 would be provided for single employee health coverage. An employee needing family coverage would pay an additional \$591 per month and even single employees would pay an additional \$61 per month for full coverage. This is a significant increase in family premiums above last year's employee contribution of \$375 for family and no employee contribution for single premiums.

The Association final offers are packaged to raise wages for all employees in the bargaining unit and preserve the existing coverage and format of the health insurance provisions. However, like the District final offers, the Association package elicits concerns. The Association final offer package would increase employee costs for the educational associates by 13% for 2003-04. This level of increase is not supported by data from the comparison group, where the highest total package increase is less than 5.5% for 2003-04 (District Exhibit 99). Further, a \$.50 per hour wage increase is also not in evidence in the comparison group. Even the statewide data provided by the Association lists average salary increases at about \$.31 per hour, with only one district exceeding \$.40 per hour (Association Exhibit 10-G). The impact of both the wage and the insurance costs in the Association final offers are larger than the District should be expected to provide against evidence from the Big Eight group of comparable Iowa schools.

Notwithstanding these concerns, the Arbitrator is charged under the Iowa bargaining law to select the most reasonable final offers of the parties. To this end, I will award below the final offer of the District on the wage issue and the final offer of the Association on the insurance issue. My selection is founded on the following analysis.

1. The health insurance final offer of the Association represents a continuation of past negotiations and the mutual agreement of the parties. The parties have developed and shaped

their health insurance language and format over the past nine years through bargaining agreement (Association Exhibit 8-A). Such a negotiated provision should only be changed by arbitration when the evidence is powerful or both sides are seeking a change. Here, only one party seeks a change in the clause and the evidence is not supportive, especially in terms of the comparison group. The majority of Big Eight schools provide similar or better health insurance benefits than Iowa City for their support staff (Association Exhibit 8-D). Sustaining the format of full, individual health coverage by the District will keep this benefit comparable with the other large Iowa schools.

2. The health insurance proposal of the District would have reduced health benefits for all educational associates, especially those needing family coverage. The District final offer would have represented both a change in the format of the health insurance provisions and a reduction of benefits for all unit employees. This would have gone beyond a cap at current or expected rates. Such a negative change is not supported by the evidence from the comparison group.

3. The Association final offer on wages is higher than the wage increases being provided in the comparison group. As noted above, most districts with reported settlements are around \$.30 per hour. The Association final offer considerably exceeds that figure, when associate wages in Iowa City compare reasonably at many salary benchmarks (District Exhibits 101-104).

4. The District final offer on wages compares less poorly with schools in the comparison group, but must be measured in the context of total cost. Here, the continuation of the past health insurance format is costly and helps make the District wage proposal of no step increases more reasonable as one of only two alternatives before the Arbitrator.

5. The total cost of the Association final offer on health insurance and the District final offer on wages is an increase of about \$291,000 or 8.38%. This exceeds the average settlement in the comparison group. The highest settlement in the Big Eight group was reported at 5.27% in Des Moines (District Exhibit 99). However, while exceeding the settlement benchmarks, these changes will not move Iowa City ahead in comparative terms. Iowa City will remain relatively constant in its ranking in wages and health insurance benefits within the comparison group under this award.

6. A \$291,000 increase in staff costs for the educational associates will not have a significant impact on the District budget allocation. In addition to a healthy unspent balance history, the District will see new money in both regular program growth and in special education and other funds which make up a large part of funding for associate job titles.

In sum, the selection of the final offer of the District on wages and the Association final offer on insurance represent the two most reasonable choices. The combined result will continue

an important, mutually negotiated health insurance benefit and keep Iowa City in pace with wages among the comparison group. While a costly reflection of current health insurance increases, this critical benefit will be sustained as a part of the compensation package for a vital group of District employees and be within the budget capacity of the District.

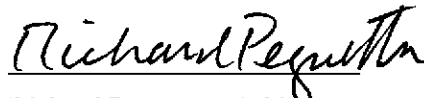
Therefore, in accordance with the above Discussion, I hereby provide the following

AWARD

1. **WAGES.** The final offer of the District for no step increases on the salary schedule for 2003-04 is selected as the most reasonable.
2. **INSURANCE.** The final offer of the Association for a continuation of the existing provisions on health insurance, with full payment of single health premiums, is selected as the most reasonable.

Bonita Springs, FL

June 4, 2003



Richard Pegnetter, Arbitrator

CERTIFICATE OF SERVICE

I certify that on the 4th day of June, 20 03, I served the foregoing Award of Arbitrator upon each of the parties to this matter by (_____ personally delivering) (FAX and Mail mailing) a copy to them at their respective addresses as shown below:

I further certify that on the 4th day of June, 20 03, I will submit this Award for filing by (_____ personally delivering) (FAX and mailing) it to the Iowa Public Employment Relations Board, 514 East Locust, Suite 202, Des Moines, IA 50309.

Richard Peggutter

Richard Peggutter
(Print Name)

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